

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT AND TECHNOLOGY
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY

TOPIC: Section 6--Purchasing 1.0	EFFECTIVE DATE: 6/28/83
TITLE: Optional Use of Purchase Orders, Confirming Purchase Orders, and Increase Change Orders	REVISION DATE: 7/23/99
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BACKGROUND

The *State Procurement Manual* provides rules on purchasing as established by the Department of Administration (DOA) in accordance with s. 16.72 (4), Wisconsin Statutes. Addenda to these regulations are sent to manual recipients in DHFS by the Purchases and Services Section, Division of Management and Technology.

Employees are cautioned about improper purchasing in the *DHFS Employee Handbook*, and informed of possible penalties provided in Section 16.77 (2), which states that any state officer or subordinate of such officer who contracts, for the purchase of materials or services contrary to prescribed state procurement statute, or rules pursuant thereto, may be liable for the cost thereof. If such materials or services have been paid for out of public funds, the amount may be recovered in action filed by the Attorney General against such employees.

The following procedures were developed for use by purchasing, accounting and preaudit personnel in order to save processing and other administrative costs for the Department.

POLICY

Purchase orders are not required for most non-printing transactions under \$5,000.00. This increase in the dollar threshold from previous DHFS policy does not diminish division and institution responsibility for maintaining a requisition and procurement approval process in accordance with DOA State Bureau of Procurement policy. Within the parameters of this policy, the responsibility for determining when purchase orders are needed lies with the division purchasing manager or institution business manager.

Completing a purchase prior to the issuance of a purchase order over a certain level is contrary to provisions (PR0-E-1) of the *State Procurement Manual*. In some instances, it may be necessary to authorize after-the-fact approval of purchases as described in the procedures below.

PROCEDURES

Optional Use of Purchase Orders

1. Purchase orders are not required for procurements under \$5,000 or for most other exempted procurements as listed in Attachment 1 (excerpted from PRO-E-4 of the *State Procurement Manual*). If the payment is made directly to a vendor, a purchase order is required for any amount over \$5,000.
2. Division/Institution Responsibilities.
 - a. Institutions may, at their option, require the use of purchase orders or similar authorizing documents for procurements of less than \$5,000, or for other exempted procurements, within their organizations.
 - b. A requisition form, or other approval process, shall be used by divisions/institutions to secure the appropriate approvals prior to the commitment and expenditure of funds. Divisions and institutions are responsible for monitoring expenditures and budgetary impact when purchase orders or encumbrances are not used.
 - c. Institutions are also responsible for capturing the required purchase data elements for reports to the Department of Administration, Bureau of Procurement (PRO-E-1).
 - d. Institutions may decide if an encumbrance of less than \$5,000 is entered into the fiscal system. There is no required encumbrance form for purchases less than \$5,000. See **Purchasing 1.2 (Encumbrance Processing)** for year-end activities for carryover balances.
3. The optional purchase orders may be in the form of:
 - a. Special documents that are sequentially numbered,
 - b. A block of numbers selected by the user organization within the regular purchase order numerical sequence,
 - c. Or regular purchase orders using the numerical sequence assigned to the organization by Bureau of Fiscal Services.

Confirming Purchase Orders

Purchase orders are issued to establish encumbrances and to authorize the purchase of goods or services. On very rare occasions it may be necessary to obtain approval for a Confirming Purchase Order in accordance with the following procedures:

1. Approval of non-printing "after-the-fact" purchase orders less than \$5,000 is not required.

This bulletin makes optional the use of purchase orders for transactions less than \$5,000. However, divisions and institutions may continue to require purchase orders for transactions less than \$5,000. In this case, approval of the "after-the-fact" purchase

orders less than \$5,000 may be required by the division or institution business manager.

2. For all other confirming purchase orders, the division or institution business manager will prepare an approval request for submission to the Division of Management Services (DMS) Chief of Purchases and Services including the following information:
 - Justification of the procurement itself.
 - Justification of the lack of prior approval (a bona fide emergency, etc.)
 - Explanation of action taken to prevent recurrence.
3. The Purchases and Services Section will review the request to determine if it will be approved or disallowed and notify the division or institution business manager of the decision.
4. A copy of the DMT approval will be attached to the voucher submitted to the Bureau of Fiscal Services.

Note: Orders and purchase order numbers phoned in to vendors to expedite delivery do not require confirming purchase orders. The statement "Per Phone Order (date)" should be inserted on related documents to identify such purchases which do not require confirming purchase order approval.

Purchase Order Increase Change Orders

In very few instances, it may be necessary to approve a payment that exceeds the amount of the original purchase order (Purchase Order Increase Change Order) because the claim total exceeds the amount originally authorized. Guidelines for the approval of purchase order change orders are:

1. Increase change orders will be authorized only for some valid reason(s) such as unforeseeable conditions. All increase change orders are to be signed by person(s) who are authorized to encumber the original amount.
2. Each division/institution will maintain a file of all actions requiring purchase order increase change orders (except blanket orders) for reference purposes to identify recurring problems that should be resolved.

ATTACHMENT

Excerpts from PRO-E-4, *State Procurement Manual*

REFERENCE

DOA *State Procurement Manual*
DHFS *Employee Handbook*, pages B-7 and B-8

CONTACT PERSON

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ATTACHMENT 1
Excerpts From PRO-E-4

Purchase orders will be issued for all procurements, except for the following, which do not require State Bureau of Procurement approval: (Within this list, issuance of a purchase order is optional by the agency purchasing office.) Where competition exists, the agency will follow established bidding procedures.

- A. Not applicable
- B. Fees (subscription, witness, court filing, membership, registration, tuition, royalties)
- C. Indemnity and bounty payments
- D. Refunds of receipts collected
- E. Purchases of land and right-of-ways
- F. Individual airline, rail, and bus tickets
- G. Stamps, postage, and U.S. postal services
- H. Construction contracts \$2,500 or more
- I. Fire call claims
- J. Eye and physical examinations (reimbursements) and medical payments not covered by insurance (athletics)
- K. Workers' and unemployment compensation claims
- L. County payments for maintenance of highways
- M. Real estate taxes
- N. Claims board awards
- O. Aids payments for all types
- P. Payroll and fringe benefits of state employees
- Q. General services billings and service center transfers within state government
- R. Inter-fund transfers
- S. Building rentals
- T. United Parcel Services and common carrier freight charges (unless included on purchase order)
- U. Purchase of preprinted or recorded materials for educational purchases including books, microfilm/fiche, audio/video recordings, films, etc. (This does not include computer programs.)

- V. Individual travel expenses, including motel expenses
- W. Payments from insurance funds
- X. Prepayments of U.S. and other government payments
- Y. Utilities bills (electric, gas, and telephone) (This does not include entering into independent agreements with utilities.)
- Z. Household moves (See PRO-D-15, Contracts for Household Moves.)
- AA. Merchandise to be bought and resold by brand name and/or customer preference in a public or institution store or canteen
- BB. Honoraria (See PRO-D-2, Honoraria.)
- CC. Revenue producing contracts where there is no exchange of funds
- DD. Contracts established for the benefit of agency clientele in which no costs are paid by the state